



*Governance Accountability Project*  
*Projekat upravne odgovornosti*

# P-BMP AND MCI REGULAR SURVEY REPORT

GOVERNANCE ACCOUNTABILITY PROJECT, PHASE II

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**Koninkrijk  
der Nederlanden**



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## EXECUTIVE SUMMARY

This survey represents the second regular semi-annual survey for the project second phase, but using and relying on existing historical data from the previous phase of the project.

All data were collected from April 1, 2009 to May 10, 2009. Data processing and analysis took place in the first half of May 2009. Data for all GAP municipalities were collected in a timely manner with considerable efforts being made by all of the GAP staff along with other regular duties. The baseline data for Fourth Cohort municipalities were collected as well. In all municipalities, GAP Team had full support by Mayors and their associates. With persistence, the teams collected the data for all municipalities in the time allocated for this task.

Based upon findings from the assessment, all forty-one legacy partner municipalities have operational Citizens' Service Centers (CSC), that can fully satisfy citizen requirements and enable easier, more pleasant and professional services.

In the period that this report covers (October 1, 2008 - March 31, 2009), five third cohort municipalities established facilities which can fully satisfy citizens' requirements. These municipalities are Ilijaš, Trnovo, Šipovo, Kladanj and Petrovo. Since April 1, 2009, Visoko, Ribnik, Banovići and Ilidža also opened their CSCs. Municipal Citizens' Service Centers opened by GAP assistance, that provide the most efficient, convenient, professional and pleasant services serve about 1, 8 million citizens in BiH.

All three cohorts record rising trendline in services efficiency improvement, although the most significant progression has been recorded among the municipalities of first cohort who participate in GAP since 2005. The trendline for first cohort municipalities shows that services efficiency was increased by more than two times, 50 percent for second cohort municipalities and 30 percent among third cohort municipalities.

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates. Considering all seventy-one GAP partner municipalities, approximately 365,000 such certificates were issued in the most recent quarter, or an average of more than 5,000 per municipality.

The time for delivering such certificates was decreased from thirty-two minutes during the first quarterly survey, to less than six minutes in the last quarterly survey among the municipalities of the first cohort. Correspondingly, there was a decrease from eighteen minutes to almost four minutes among the second cohort municipalities. Average time for issuance of birth, death, wedding and citizenship certificates among the third cohort GAP partner municipalities has been already reduced by more than eleven times, from **two and half hours (151.2 minutes) to 13.6 minutes**.

Detailed data on each P-BMP performance indicator can be found in this report.

Important findings are also available from monitoring of the GAP municipal capacity index (MCI). The new Municipal Capacity Index has been developed for the phase two of the project, fully adjusted to the expectations and goals specified for the project. The evaluation of the municipalities in specific fields of expertise is done by GAP specialists in their field of expertise now, so objectivity of this process has been improved.

The second regular MCI measurement shows a significant increase in rating among GAP municipalities. Legacy municipalities increased their rating by 7 points on average. Third cohort municipalities raised their ratings by 8.8 points on average as well. During the same period of time,

control group of municipalities decreased their MCI score by 4.7 points comparing to the baseline survey in April last year. The biggest increase in MCI score was made in Trnovo that increased their MCI ration from 28 to 44 points, by 16 points.

In this survey, GAP also established baseline data for fourth cohort municipalities related to P-BMP and MCI, to enable future monitoring of these municipalities in reengineering process.

## **Introduction**

Since the startup of the Government Accountability Project (phase one) and continuing to phase two of the project, careful attention has been addressed to developing procedures for monitoring and evaluating (M&E) all project activities for determining the pace and kinds of results being achieved by GAP. The GAP management team employs three strategies to measure project performance over the life of the project (LOP). These evaluation strategies include the use of the procedures:

- Municipal Capacity Index (MCI)
- Performance Monitoring Plan (PMP)
- Attitudinal Surveys

## **P-BMP and MCI Survey Timeframe and Participants**

This survey represents the second regular semi-annual survey for the project second phase, but using and relying on existing historical data from the previous phase of the project.

All data were collected from April 1, 2009 to May 10, 2009. Data processing and analysis took place in the first half of May 2009. Data for all GAP municipalities were collected in a timely manner with considerable efforts being made by all of the GAP staff along with other regular duties. The baseline data for Fourth Cohort municipalities were collected as well. In all municipalities, GAP Team had full support by Mayors and their associates. With persistence, the teams collected the data for all municipalities in the time allocated for this task.

## **Performance-Based Monitoring Plan (P-BMP)**

The Performance Monitoring Plan (PMP) is an important tool for managing and documenting portfolio performance. It enables timely and consistent collection of comparable performance data, which allows project managers to make informed decisions on the overall management of the project as well as any necessary changes in the project design.

The aforementioned considerations are directly linked to data collected during the implementation of this survey. Data already collected are presented in comprehensive tables attached to this narrative and some aspects connected to each performance indicator will be highlighted in the following text with necessary diagrams where applicable.

## Performance Indicators' Data

### 1.1-1 Number of Municipal Citizens Service Centers (CSC)s established and/or improved to serve local citizens

Based upon findings from the assessment, all forty-one legacy partner municipalities have operational Citizens' Service Centers (CSC), that can fully satisfy citizen requirements and enable easier, more pleasant and professional services.

In the period that this report covers (October 1, 2008 - March 31, 2009), five third cohort municipalities established facilities which can fully satisfy citizens' requirements. These municipalities are Ilijaš, Trnovo, Šipovo, Kladanj and Petrovo. Since April 1, 2009, Visoko, Ribnik, Banovići and Ilidža also opened their CSCs.

Municipal Citizens' Service Centers opened by GAP assistance, that provide the most efficient, convenient, professional and pleasant services serve about 1, 8 million citizens in BiH.

Among fifteen fourth cohort municipalities, six municipalities have facilities called "šalter sala" with different level or professional services provided in them.

The following diagram shows development of CSCs in partner municipalities through time.

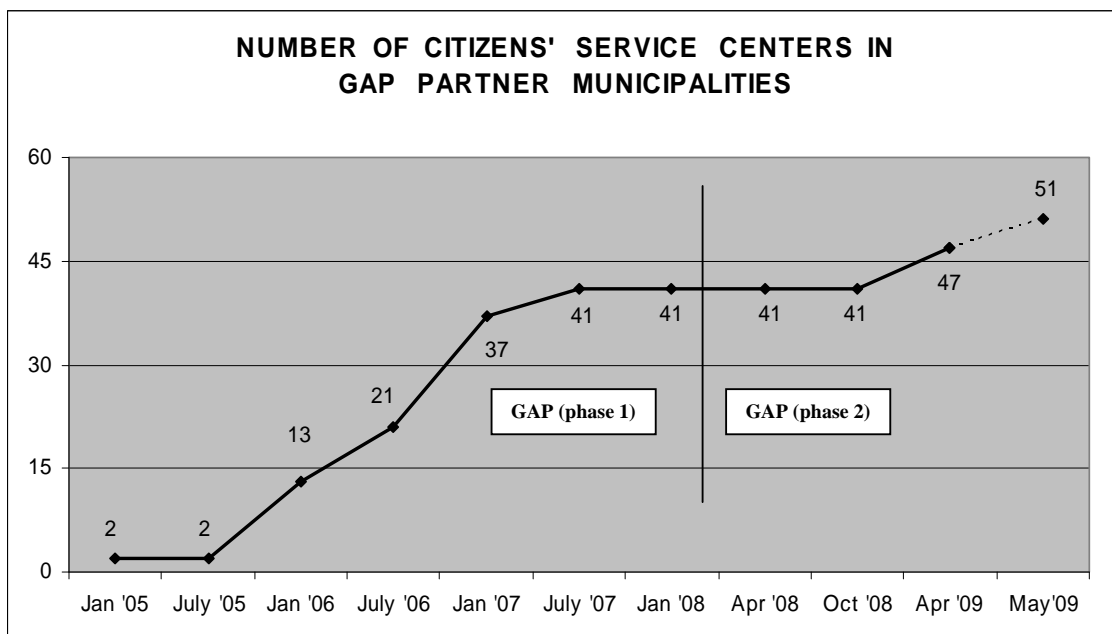


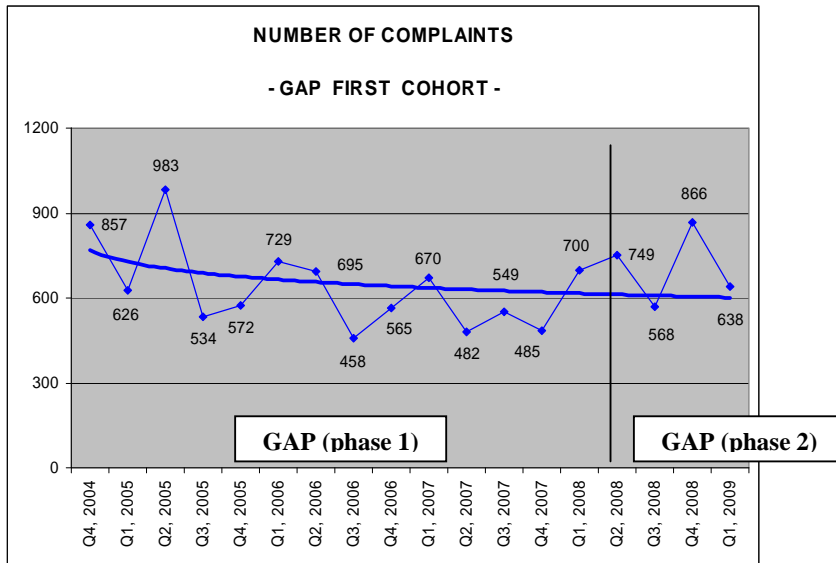
Fig. No. 1

In addition, two CSC satellite offices have been opened in Banja Luka City supported by GAP technical and financial assistance as well.

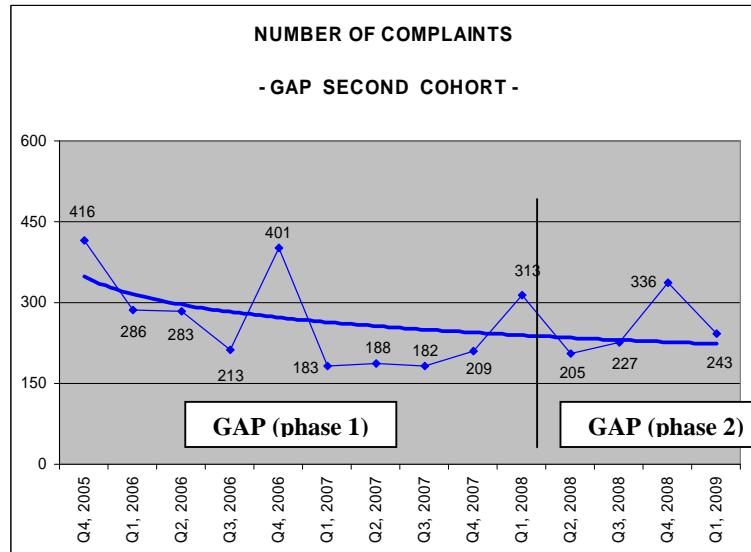
**1.1-2 Number of complaints made by citizens regarding municipality issues**

The following figures show the number of complaints and appeals made by citizens during eighteen quarters among the municipalities of the first cohort and last fourteen quarters for second cohort municipalities. These data were disaggregated by source as well. Data were collected quarterly. Complaints were disaggregated by the following categories:

- municipal personnel issues,
- urban planning issues,
- public procurement,
- business permitting,
- property related issues,
- municipal inspections,
- other issues.
- social welfare,
- construction permits,
- infrastructure,
- economic-finance related issues,
- war veterans issues,
- cadastre issues, and



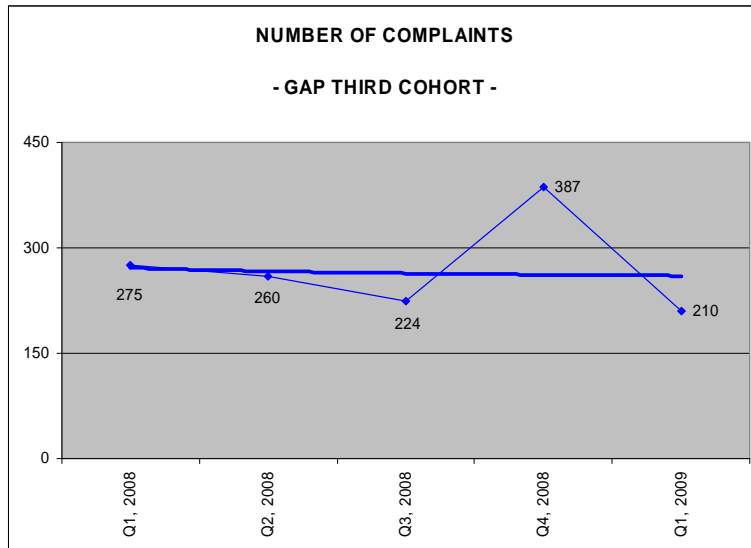
**Fig. No. 2**



**Fig. No. 3**

The trend lines continue to decline with the both legacy cohorts of municipalities reflecting increased municipal accountability and more efficient services to citizens.

Five quarterly records for this performance indicator were also established for the third cohort of municipalities. In these municipalities, the trendline has already established a downsizing direction (see Fig. No. 4).



**Fig. No. 4**

The baseline data for fourth cohort municipalities were also established. The number of complaints in first quarter of 2009 is 170.

**1.1-3 Proportion of complaints submitted to municipalities resolved**

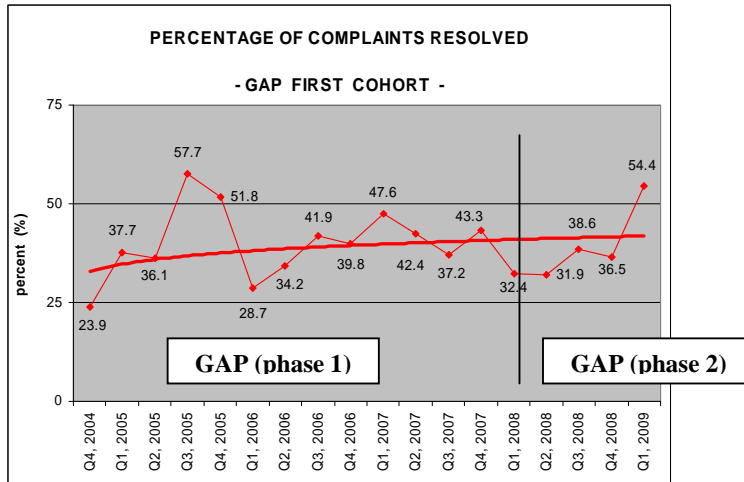
The data for this indicator were disaggregated by categories (same as for previous indicator) and source and collected quarterly as well.

Data concerning the number of resolved complaints complement the statistics on the number of complaints recorded and provide a more realistic picture about municipal attitudes regarding citizen services. Figures No. 5 and No. 6 present the percentage of complaints resolved, through last eighteen quarterly records in first cohort municipalities and last fourteen quarterly records in second cohort municipalities. The significant rise was recorded in both legacy cohorts in last quarter, while the overall trend lines continue in a positive direction.

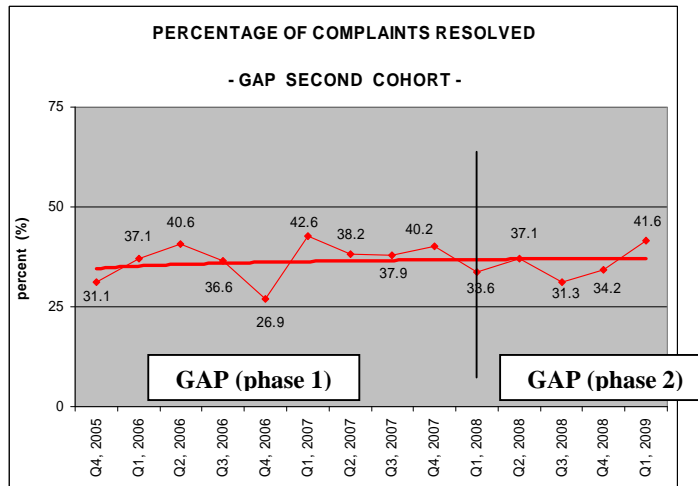
Percentage of the complaints resolved among third cohort partner municipalities recorded a drop in last quarter, although significant improvement is expected in this year (see Fig. No. 7).

The baseline data for fourth cohort municipalities were also established. The percentage of complaints resolved in first quarter of 2009 is 27.06.

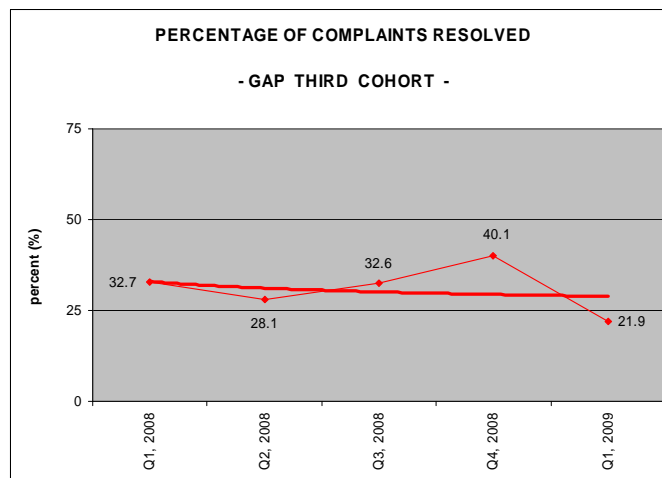
Since, GAP monitoring and evaluation system provides origin and gender disaggregated data for this performance indicator, it is interesting to notice that percentage of complaints resolved for males, females and businesses is more or less similar without any disturbing effects.



**Fig. No. 5**



**Fig. No. 6**



**Fig. No. 7**

### 1.1-4 Municipality is more responsive to delivering services to the public

This performance indicator is a measure of service delivery in all twenty-three municipalities of the first cohort through eighteen quarterly measurements going back to the fourth quarter of 2004. Also available are fourteen quarterly measurements for the eighteen municipalities of the second cohort beginning from the fourth quarter of 2005 and five quarterly records for the fifteen third cohort municipalities since beginning of 2008. The baseline data for the fourth cohort of municipalities were also established. It considers measurements in twelve categories of municipal services. These categories are:

- birth, death, citizenship and wedding certificates,
- urban planning issues,
- infrastructure issues,
- economic and financial issues,
- war veterans issues,
- cadastre issues, and
- social welfare issues,
- construction permitting,
- business permitting,
- property related issues,
- municipal inspections,
- requests for information.

Assessments for service delivery were performed for all twelve categories based on two criteria. First, the number of services (volume of services provided) provided by the municipality, and second, the average time needed for delivering these services. Based upon this data, GAP established a Municipal Services Efficiency Index. Figures No. 8 and 9 and 10 show the development of Municipal Services Efficiency Index through time for first three cohorts of GAP partner municipalities.

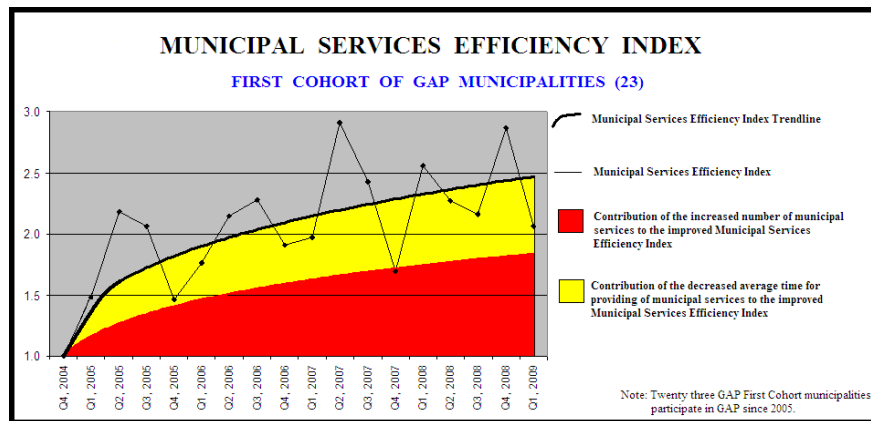


Fig. No. 8

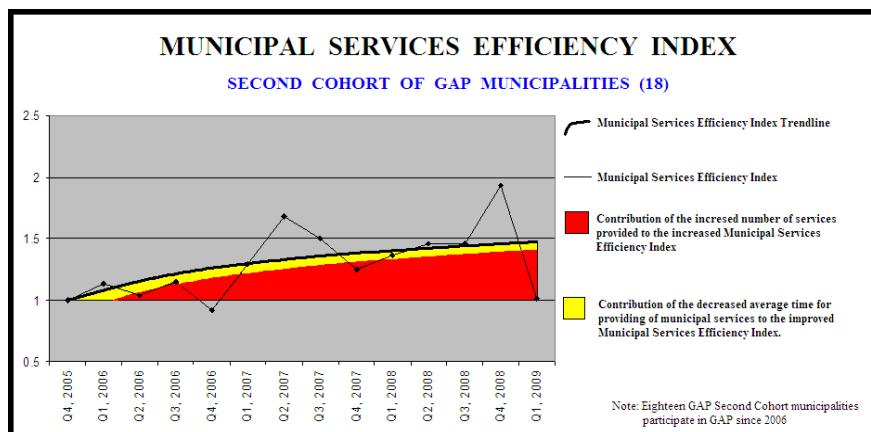
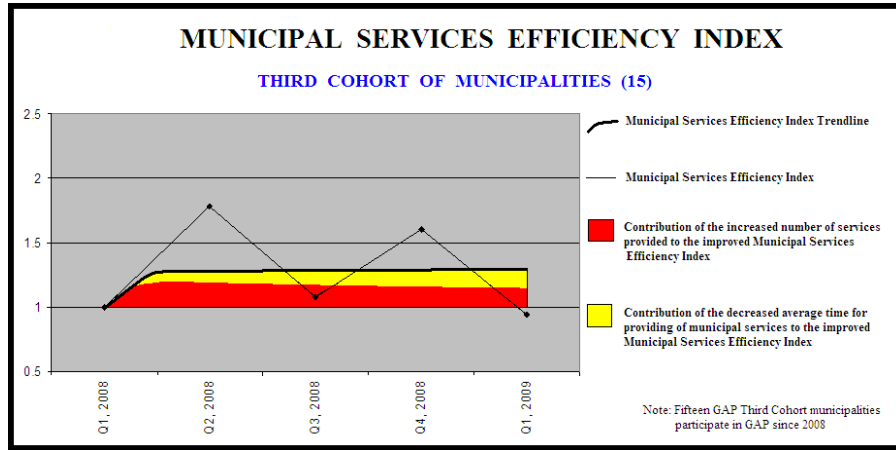


Fig. No. 9

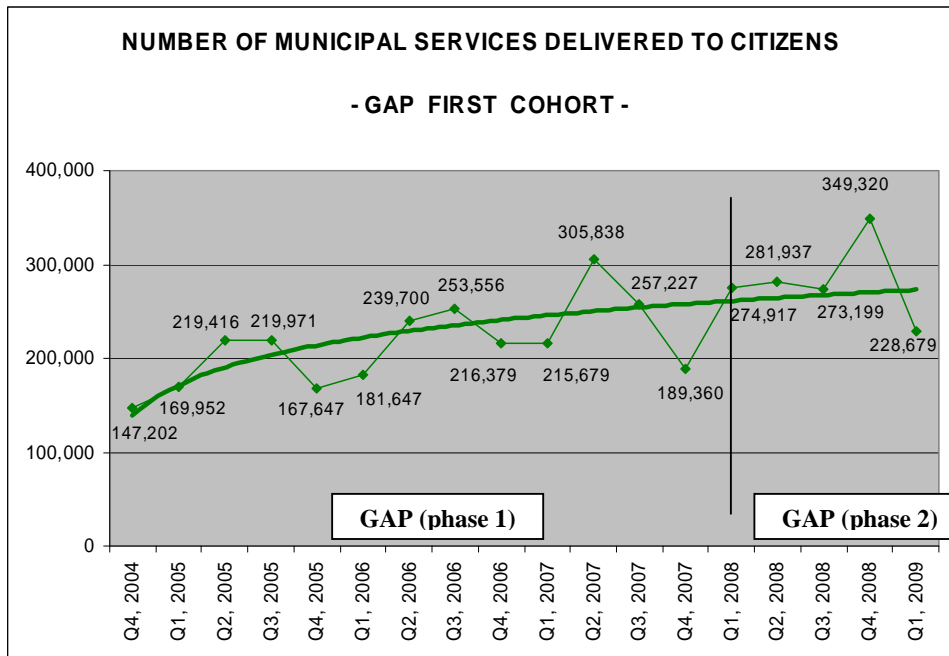


**Fig. No. 10**

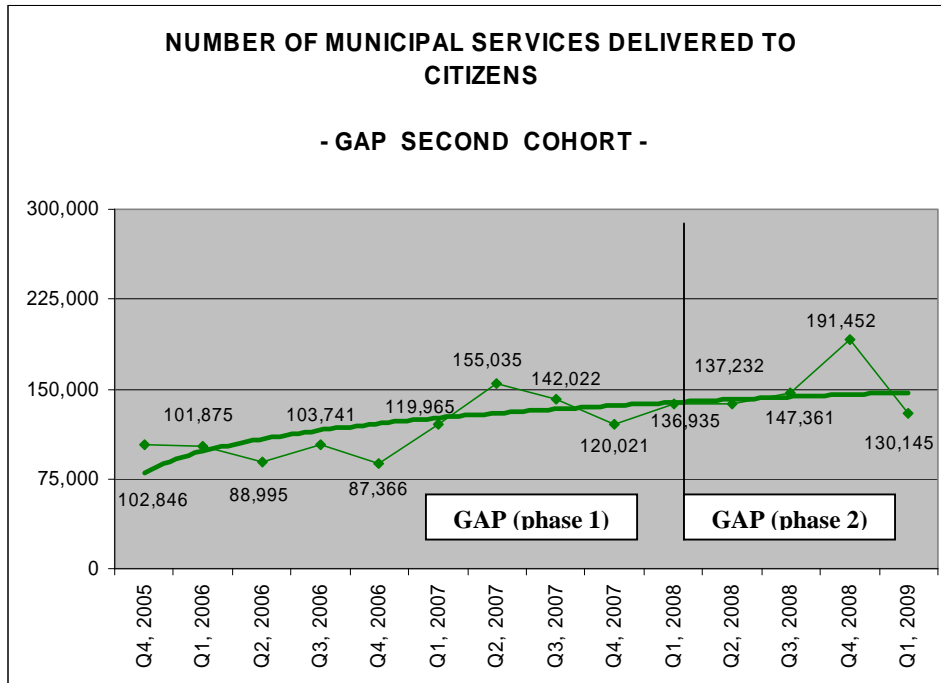
All three cohorts record rising trendline in services efficiency improvement, although the most significant progression has been recorded among the municipalities of first cohort who participate in GAP since 2005.

Figures No. 11, 12 and 13 show the number of services provided by first, second and third cohort municipalities respectively, over the measurement periods.

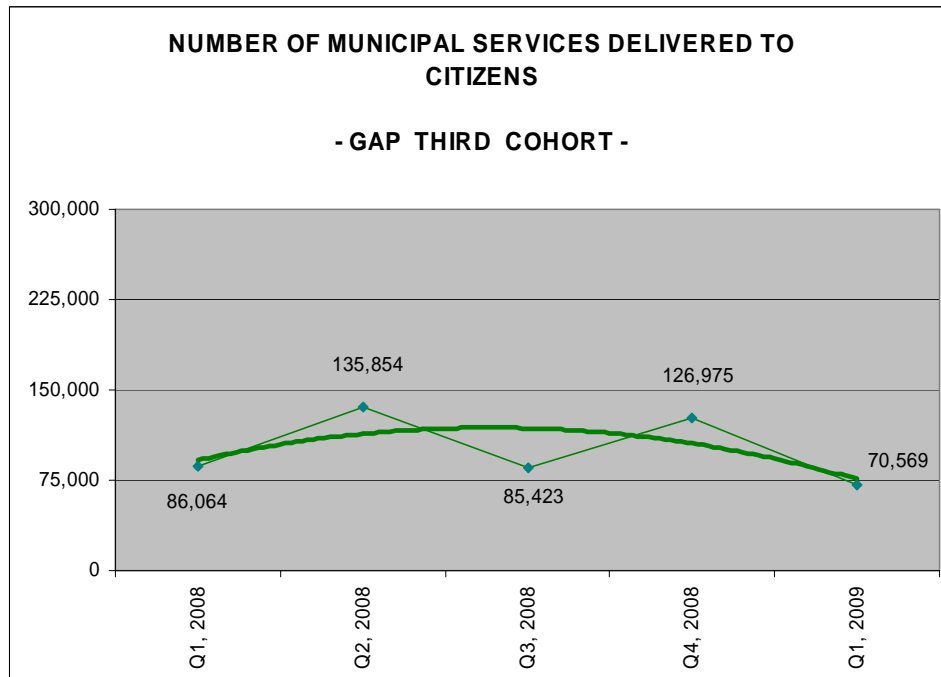
Both legacy cohorts record a continuous increase in number of services provided through measurement period. Both trend lines are achieving expected (rising) directions. It is still early to comment trendline among third cohort municipalities, but the rising progression is expected in the future.



**Fig. No. 11**



**Fig. No. 12**



**Fig. No. 13**

The baseline data for fourth cohort municipalities were also established. The volume of services provided in first quarter of 2009 is 39,151.

The following figures display the time necessary to provide municipal services in all twelve categories for the twenty-three municipalities of the first cohort and eighteen municipalities of the second cohort.

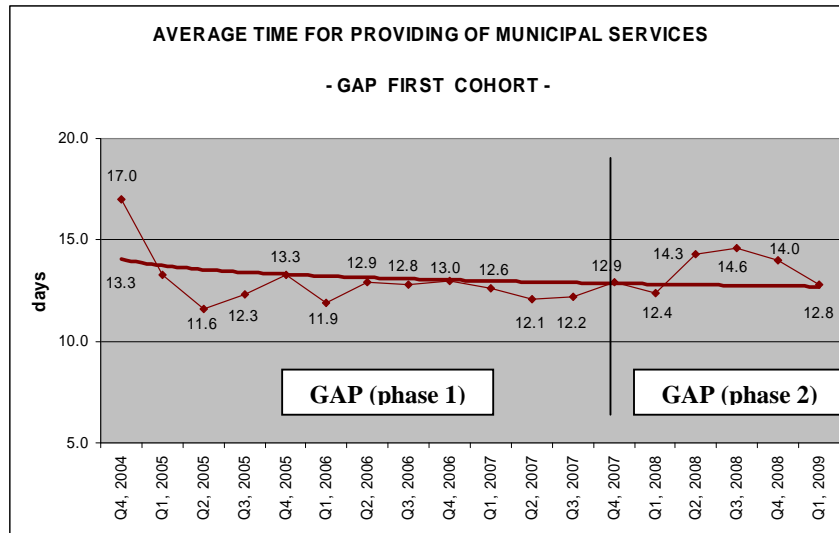


Fig. No. 14

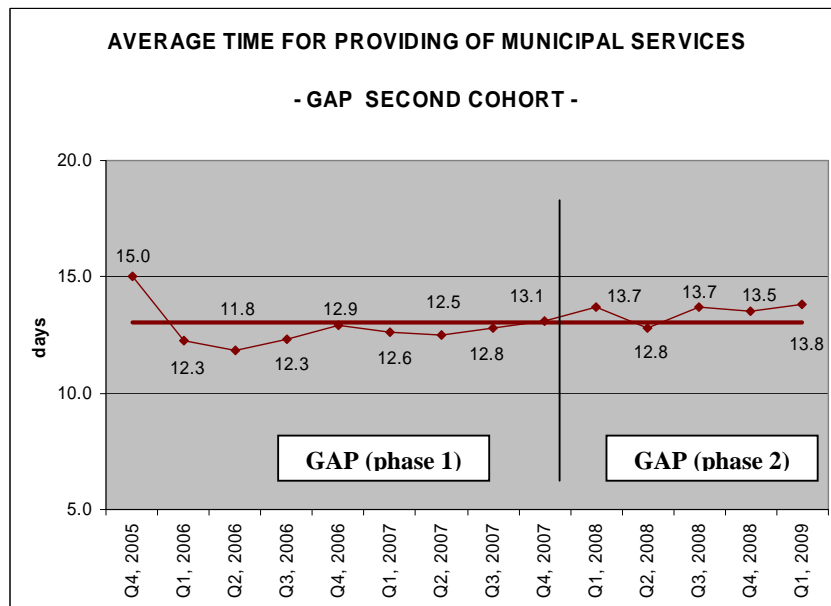
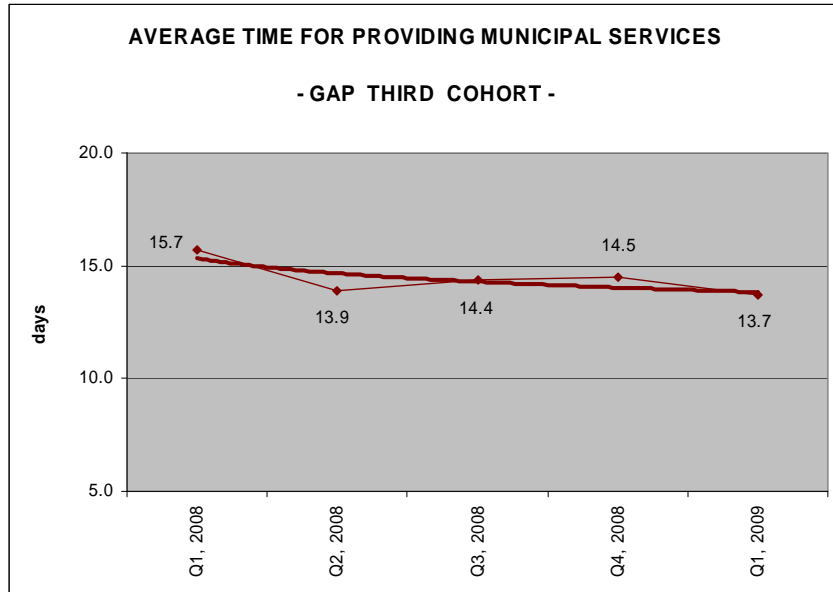


Fig. No. 15

The trend lines generally show decreasing average time (in days) for providing municipal services to citizens and other clients among legacy municipalities (see Fig. No 14 and No 15).

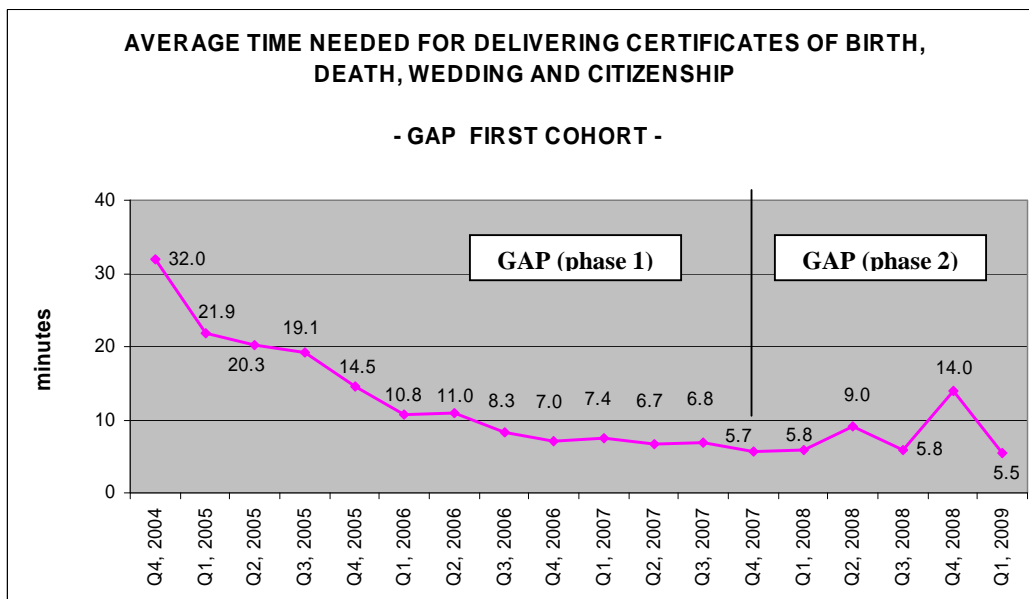
Third cohort municipalities reduced the average time for providing of municipal services by two days compared to baseline value (see Fig. No 16). The baseline average time for providing of municipal services among fourth cohort municipalities in first quarter of 2009 was 9.2 days.



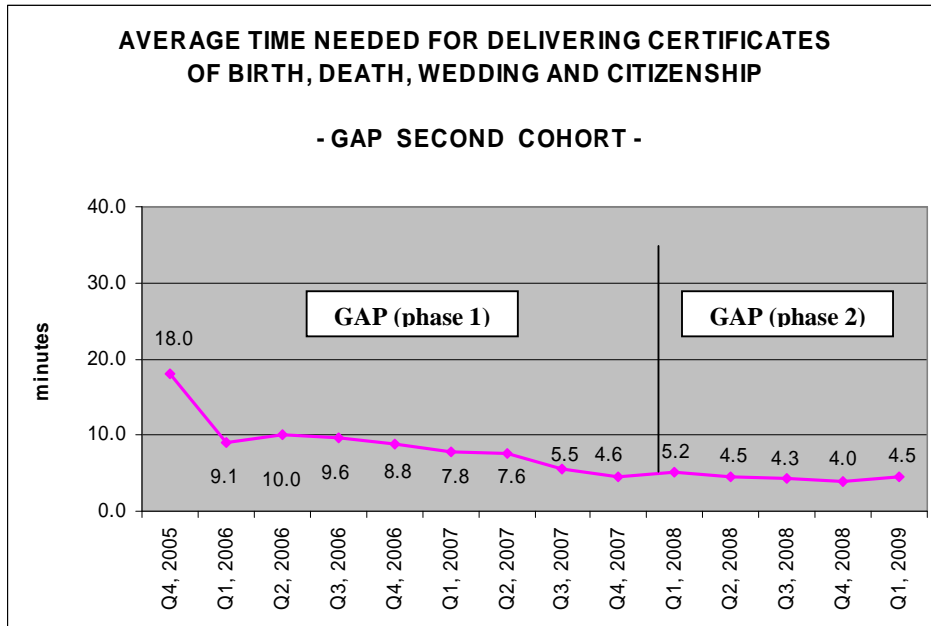
**Fig. No. 16**

One of the high volume transactions in each municipal citizen service center is issuance of birth, death, wedding and citizenship certificates. Considering all seventy-one GAP partner municipalities, approximately 365,000 such certificates were issued in the most recent quarter, or an average of more than 5,000 per municipality.

The following diagrams show that time for delivering such certificates was decreased from thirty-two minutes during the first quarterly survey, to less than six minutes in the last quarterly survey among the municipalities of the first cohort. Correspondingly, there was a decrease from eighteen minutes to almost four minutes among the second cohort municipalities.

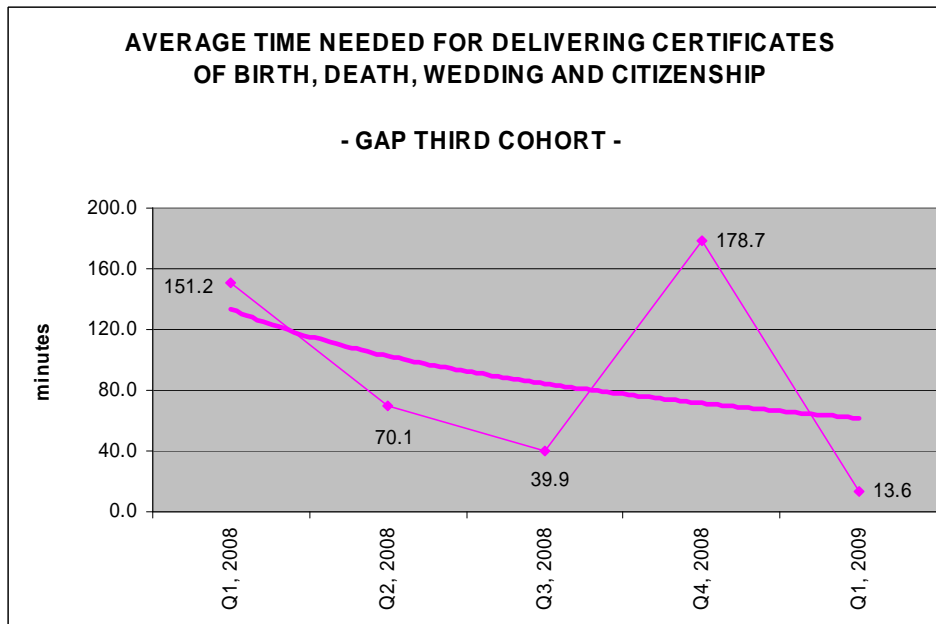


**Fig. No. 17**



**Fig. No. 18**

Average time for issuance of birth, death, wedding and citizenship certificates among the third cohort GAP partner municipalities has been already reduced by more than eleven times, from **two and half hours (151.2 minutes) to 13.6 minutes**. However, it is expected that after establishment of CSCs in all municipalities, the time will be reduced to similar figure like in legacy municipalities. Baseline survey among fourth cohort of municipalities showed that they currently need more than two hours (121.3 min) to issue such documents.



**Fig. No. 19**

**Important note:** *The results for performance indicators 1.1-1 to 1.1-4 should not be viewed just separately for each indicator. Analysis of the results and trends among the performance indicators tell more comprehensive story. Taking in consideration significant decrease in number of complaints, increased percentage of complaints resolved, very significantly increased number of services provided and decreased time in delivering services through same period of time, can not happened without very significant efforts by municipalities themselves and GAP technical assistance. Such results simply can not be achieved without influence of internal (municipalities) and external forces (GAP TA) in reengineering of procedures, training of staff and providing appropriate equipment and software.*

#### **1.1-5 Percentage of citizens satisfied with municipal services delivery**

The next attitudinal survey related to this performance indicator will be conducted in Q3, 2009.

#### **1.2-1 Number of municipalities that have modern, formalized and integrated budget and finance systems in place and efficiently used**

The latest survey showed that thirty-seven (37) GAP partner municipalities have got installed IABS with all ten modules. Among them are two new fourth cohort municipalities. These municipalities are Bosanski Petrovac and Vitez. Thirty-six municipalities have Finova XP and Novo Sarajevo uses Deanet software. Out of these thirty-seven municipalities, fifteen of them use the IABS by its full potential. However, eight of them do not use it by full potential, while the rest need additional training or on site support.

Due to legal regulations in RS, fifteen municipalities use RS Treasury System, upgraded with three additional Finova XP modules. Banja Luka City operates Treasury System only. Eighteen municipalities have got financial softwares developed by different sources (e.g. local company) and different levels of capabilities and opportunities.

More information for each municipality can be found in the tables in attachment.

#### **1.2-2 Percentage change in municipal own-revenue generation (non-tax revenues) adjusted for inflation**

The next annual survey will be conducted in Q2, 2009.

#### **1.2-3 Rate of collection for each major revenue source**

The next annual survey will be conducted in Q2, 2009.

#### **1.2-4 Ratio of capital outlays to operating expenditures**

The next annual survey will be conducted in Q2, 2009.

### **1.3-1 Number of GAP2 municipalities implementing capital improvement plans**

Based upon findings from the field, **thirty-eight** GAP partner municipalities implement capital improvement plans. Thirty-four municipalities use GAP Methodology, while Banja Luka, Bosanski Petrovac, Gračanica and Žepče conduct capital improvement plans according to the other developed models..

First cohort municipalities that implement capital improvement plans are: Banja Luka, Bihać, Mrkonjić-Grad, Sanski Most, Velika Kladuša, Jablanica, Prozor-Rama, Ljubuški, Tomislavgrad, Novo Sarajevo, Breza, Rogatica, Goražde, Tuzla, Lopare, Srebrenica, Vlasenica and Vukosavlje.

Among the second cohort, the following municipalities implement capital improvement plans: Bužim, Gradiška, Srbac, Bugojno, Konjic, Nevesinje, Posušje, Foča, Kakanj, Rudo, Travnik, Vogošća, Čelić, Doboj-Istok, Gradačac and Kalesija.

Bosanski Petrovac, Trnovo and Gračanica are municipalities from the third cohort that implement capital improvement plans. Only Trnovo uses GAP methodology.

Žepče is the only municipality among newly selected partners, which implement capital improvement cycle by its own methodology.

### **1.3-2 Number and amount of grants (i.e. “co-financing”) awarded to municipalities through CIP or similar existing bodies**

GAP (phase 2) awarded seven infrastructure grants with municipal share to municipalities Breza, Rogatica, Foča and Rudo in last six months. The following table presents total projects value, municipal share and GAP share.

<b>Number of Grants</b>	<b>Municipal Share (KM)</b>	<b>GAP Share (KM)</b>	<b>Total Projects Value (KM)</b>
7	1,663,273.19	499,683.98	2,163,230.17

**Table No. 1**

### **1.3-3 Number of applications submitted to CIP or similar bodies for capital improvement projects (disaggregated by categories)**

CIP or similar bodies in legacy municipalities received 1027 applications for financing capital projects in last six months. Majority of proposals came from four main sources: Local Communities (MZs) 61.7 percent, individuals 9.6 percent, NGO’s 4.8 percent and municipalities themselves 5.1 percent what confirms CIP mechanism as wide model of participation. The remaining (18.8percent) are coming from different sources (schools, condominium councils, etc).

There were no proposals or applications in municipalities of third cohort in last six months.

### **2.1-1 Number of GAP partner municipalities that actively participate in advocacy process for policy reform**

The methodology for survey of this performance indicator is reviewing and analysis of Municipal Capacity Index (MCI) indicator’s 4.1 findings. The title of this MCI indicator is “Municipality is

Actively Participating in Process of Policy Reform”. GAP Policy Team established the following criteria and ranked each GAP partner municipality according to them. The criteria are as follows:

- (0) points if the municipality is taking no steps/actions in the area of policy reform;
- (1) point if the municipality is aware and has knowledge about local government development strategy;
- (2) points if the municipality participates in data gathering for specific policy changes/proposals;
- (3) points if the municipality participates in formulating policy priorities;
- (4) points if the municipality submits specific policy/legislation proposals;
- (5) points if the municipality actively participates in promotion and/or advocacy of policy/legislation.

According to the displayed criteria, in process of monitoring and evaluation, the municipalities that have been given three, four or five points were considered as municipalities that actively participate in advocacy process for policy reform.

Based upon this approach, **forty-eight (48)** GAP partner municipalities (out of seventy-one) actively participate in advocacy process for policy reform; seventeen municipalities from the first cohort, sixteen from the second cohort, seven from the third cohort and eight municipalities from the recently identified cohort. However, three municipalities showed very active participation (5 points). These municipalities are Mostar, Tuzla and Foča. Only Tuzla won five points during the last survey.

### ***2.1-2 Number of GAP partner municipalities that are actively involved in the work of municipal associations***

The methodology for survey of this performance indicator is reviewing and analysis of Municipal Capacity Index (MCI) indicator’s 4.2 findings. The title of this MCI indicator is “Municipality is Actively Involved in the Work of Municipal Association. GAP Policy Team established the following criteria and ranked each GAP partner municipality according to them. The criteria are as follows:

- (0) points if municipality has taken no steps towards its involvement in the work of the municipal association in the past year;
- (1) point if the municipality is paying its membership fee;
- (2) points if municipality showed interest in and response to association activities;
- (3) points if municipality actively participates in policy design;
- (4) points if municipality takes specific initiatives/actions towards improvement of association capacities and policy changes;
- (5) points if municipality actively participates in advocacy and promotion of association policies.

According to the displayed criteria, in process of monitoring and evaluation, the municipalities that have been given three, four or five points were considered as municipalities that are actively involved in the work of municipal associations.

Based upon this approach, **forty-eight (48)** GAP partner municipalities (out of seventy-one) are actively involved in the work of municipal associations; seventeen municipalities from the first cohort, sixteen from the second cohort, seven from the third cohort and eight for the newly selected cohort. However, eight municipalities showed very active involvement (5 points). These municipalities are Banja Luka, Mostar, Tomislavgrad, Goražde, Bužim, Foča, Kakanj and Cazin.

### **2.1-3 Number of activities/reforms independently drafted and proposed by associations to higher levels of governments**

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for **Year 1**, all specified activities have been achieved:

- 1) Associations to draft and propose number of amendments to the draft Law on Cadastre that has entered parliamentary procedure in February 2008; ■
- 2) Associations to draft and propose the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization; ■
- 3) RS municipal association proposed changes and amendments to the RS Law on Local Self-government and forwarded it to the RS Ministry for LSG and RS government; ■
- 4) Definition of an initial list of policy priorities; ■
- 5) Draft policy agenda developed with GAP assistance; ■
- 6) Advocacy strategy for policy goals developed with GAP assistance; ■
- 7) Draft of the Code on Intergovernmental Cooperation with GAP assistance. ■

No reforms envisaged by WP in CY 2008.

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for **Year 2**, activities streamline in two directions: Policy Cycle 2008 and Policy Cycle 2009.

#### **Policy Cycle 2008**

##### **Targeted activities:**

##### **1) Law already drafted:**

- a) Organize joint meetings with the associations in order to present drafted legislation to the government, parliament, and relevant stakeholders; □
- b) Collect comments from municipalities and help draft changes to legislation based on those comments; ■

- c) Organize and conduct meeting(s) with relevant committees of the parliament or assembly with associations.

**2. Amending of laws:**

- a) Gather comments from municipalities regarding specific provisions of the law through the association;
- b) Work with the association’s committees/boards and mayors from the Association Presidency to address these legislative barriers and define legal solutions;
- c) Collect and analyze comments based on input from the public hearing or workshop and refine a set of amendments.

**3. Law to be drafted:**

- a) Collect information through the municipal association on need for drafting new legislation in the specific field;
- b) Define and draft legislation;
- c) Organize workshops or public hearings on the legislation;
- d) Arrange meetings with relevant committees and associations to address the draft law to members of parliament.

**Policy cycle 2009**

**Targeted activities:**

- 1) Organize or help organize a roundtable in each entity including all committees or boards to update an annual policy process;
- 2) Organize focus group meetings in both entities for each of the association committees or boards;
- 3) Organize a final workshop with mayors in both entities.

No reforms envisaged by WP in CY 2009

***2.2-1 Legislative activities/reforms enacted that allow for electronic document processing***

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for **Year 1**, all specified activities have been achieved:

- 1) Analysis of the issues concerning electronic documents processing produced;
- 2) Produce a draft legislative proposal to the municipal associations related to the electronic documents processing

No reforms envisaged by WP in CY 2008.

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for **Year 2**, the following activities were planned:

**Activities Targeted:**

- 1) Draft Law on vital records; ■
- 2) Draft Law on electronic document; ■
- 3) Organize a meeting between the RS and FBiH WGs to harmonize proposed legal solutions. □

The following reforms are envisaged to be achieved in CY 2009:

**Reforms targeted:**

1. Law on vital records; □
2. FBiH Law on electronic document. □

***2.2-2 Legislative activities/reforms enacted that allow for transfer of vital records between municipalities***

Considering the targeted activities related to this performance indicator specified in the Performance-Based Monitoring Plan for **Year 1**, all specified activities have been achieved as well:

**Activities Targeted:**

- 1) Analysis of legislative barriers related to the transfer of vital records between municipalities produced; ■
- 2) Draft technical and legal solutions for vital records transfer between municipalities. ■

No reforms envisaged by WP in CY 2008.

The following activities are envisaged in CY 2009:

- 1) Pilot municipalities integrated into the data exchange system; □
- 2) System operational in pilot municipalities. □

No reforms envisaged by WP in CY 2009.

***2.2-3 Number of partner municipalities processing documents electronically***

The survey findings shows that 106 out of 142 municipalities in BiH process documents electronically.

RS: 37 out of 62

FBiH: 69 out of 80

**BiH: 106 out of 142**

Considering GAP partner municipalities only, 64 out of 71 municipalities process documents electronically.

GAP, through the FBiH municipal association and the RS Ministry for Local Self-Governance, surveyed municipalities and found that by sometime this year 117 out of 142 will have the capacity to process records electronically.

#### ***2.2-4 Number of partner municipalities transferring vital records to other municipalities***

No GAP partner municipalities transfer vital records to other municipalities.

#### ***2.3-1 Number of activities/reforms proposed in process to increase local autonomy***

The following activities were targeted to be completed in **CY 2008** by GAP Policy Team. Black square means that activity has been completed.

##### **Activities Targeted:**

- 1) Establishment of list of policy priorities ■
- 2) Action Plan for the implementation of the Law on LSG in FBiH developed □
- 3) A draft report on Municipal Property issues produced ■
- 4) Expenditure Reporting Format produced □
- 5) Training in costing of functions provided to Ministries of Finance ■
- 6) Draft the Law on Status of Employees in Local Self-Government Units and the Law on changes of the Law on Governance Organization ■
- 7) Draft of the Code on Intergovernmental Cooperation with GAP assistance. ■

Action Plan for the implementation of the Law on LSG in FBiH was delayed due to late formation of the Coordination Committee and is currently being drafted.

Expenditure Reporting Format activity was cancelled and instead a new activity was introduced – the drafting of a new Chart of Accounts for municipal use. The main reason for the change was that during the research in reporting needs and practices the problems with the existing Chart of Accounts emerged as more immediate ones.

During the reporting period, GAP also provided help to the FBiH municipal Association in creating amendments to the Proposal Law on Concessions in FBiH, based on discussions of the Committee on Economical Development and written comments from municipalities.

In December 2008, the Association's Presidency named two municipal representatives at the sessions of the FBiH Working Group on Drafting the Law on Concessions that will present interests of municipalities.

As a result of joint work, a number of municipal suggestions will be incorporated in the final Proposal Law on Concessions in FBiH.

GAP provided expert help to the FBiH Municipal Association's Committee on Constitutional and Legal Matters in drafting the Appeal for Protection of the Right to Local Self-Governance in Relation to the Law on Forests FBiH as well. The initiative arose from an appeal for protection of the constitutional rights of municipality of Konjic (which claimed its rights were breached by the Canton in the area of forest exploitation). The Association asked for protection of the rights of all municipalities that have been negatively affected by the Law on Forests. The appeal has been submitted to the Constitutional Court FBiH by the Municipal Association, the hearing was held and the Association is waiting for Court's decision.

The following reform was envisaged to be achieved in **CY 2008** and was achieved:

**Reforms targeted:**

- 1) Law on Real Rights in RS adopted ■

As a activity related to *Cross-Cutting Initiatives, Sub-Component A: Improving the Environment and Capacity for Municipal Borrowing (KRA 3.1)*, the next activity was also planned

- 1) Sub-regulations for the RS Debt Law in place □

The Draft of the sub-regulation for RS Debt law has been submitted to the RS Ministry of Finance at the beginning of December 2008. After the sub-regulation review, RS MoF sent written request for additional assistance; regarding Chart of Accounts and accounting legislation, needed to be amended before the Draft is published. Second phase of the Project is in procedure of LGI approval.

The activities targeted to be completed in **CY 2009** by GAP Policy Team are listed below.

**Activities Targeted:**

- 1) An Action Plan for Implementation of the Law on the Principles of Local Self-Government prepared; □
- 2) Draft legislation or amendments to a number of laws which require harmonization with FBiH LSG Law; □
- 3) Draft of new Chart of Accounts for municipal use developed; □
- 4) Database for debt reporting developed in both entity Ministries of Finance; □
- 5) Final document on Assessment of Asset Management with policy recommendations produced; □
- 6) Training of MoF and municipal staff on the use of revenue reporting data base; □

7) Workshops on introduction of treasuries organized.

The following activities are targeted to be completed in **CY 2009** by GAP Policy Team:

**Reforms targeted:**

- 1) Law on concessions;
- 2) Law on real rights;
- 3) Law on construction land;
- 4) Law on expropriation.

**2.3-2 Percentage of total public sector revenue accruing to the municipal sector**

Data for this indicator for FY 2008 will be obtained in Q3, 2009. The data for FY 2007 were reported in October '08 Survey and percentage was 15.77, while 14 percent was for FY 2006.

**3.1-1 Number and amount of loans secured by municipalities to finance capital improvement projects**

GAP partner municipalities took seven loans in last six months, amounting almost 8.5 million KM. Jablanica, Gradiška, Nevesinje, Posušje, Čitluk and Ljubinje took these loans from commercial banks for their infrastructure projects. The survey conducted by GAP Capital Team showed that all GAP partner municipalities took seventy-three loans, totaling **129,169,141.44 KM**. Average loan amount of partner municipalities is approximately 1.77 million KM. However, average debt amount among RS partner municipalities is around 3.3 mil KM and among Fed BIH, about 1.09 mil KM.

Among GAP partner municipalities, just Banja Luka took eight loans totaling more than 38 mil KM, almost one third of total GAP partner municipalities debt.

Considering the first round of 31 capital projects that GAP implements with municipal cost sharing, two of them which in one or the other way involve borrowing. They are:

**1. Breza Municipality;**

Project title: „Water-supply of the Breza Municipality from the “Mala Rijeka” spring – Construction of the facility for the preparation of drinking water- phase 2  
Funding: GAP:125.000KM; **Loan: 620.649,64**; Amount funded from recipient's budget: 75.000,00; and Other donors contribution: 200,000

**2. Posušje Municipality**

Project title: Construction of the water supply system in Vir  
Funding: GAP:125.000; Amount funded from recipient's budget: 647.240,12;  
For this project municipality procured **supply loan** granted by the Austrian government in the amount of **1.764.754.29** (this amount is only fraction of the entire loan amount. The fraction which will be used for the purposes of the co-financing only this project).

	FED (KM)			RS (KM)			TOTAL (KM)		
	by April 1,2008	by Oct 1,2008	by April 1,2009	by April 1,2008	by Oct 1,2008	by April 1,2009	by April 1,2008	by Oct 1,2008	by April 1,2009
I COHORT	24,825,277.21	31,325,277.21	33,325,277.21	24,321,921.35	48,652,679.70	48,652,679.70	49,147,198.56	79,977,956.91	81,977,956.91
II COHORT	4,946,932.91	4,946,932.91	7,446,932.91	19,477,330.26	20,077,330.26	23,477,330.26	24,424,263.17	25,024,263.17	30,924,263.17
III COHORT	10,835,739.36	11,185,739.36	11,635,739.36	1,716,182.00	4,516,182.00	4,516,182.00	12,551,921.36	15,701,921.36	16,151,921.36
IV COHORT						115,000.00			115,000.00
<b>GAP</b>	<b>40,607,949.48</b>	<b>47,457,949.48</b>	<b>52,407,949.48</b>	<b>45,515,433.61</b>	<b>73,246,191.96</b>	<b>76,761,191.96</b>	<b>86,123,383.09</b>	<b>120.704,141.44</b>	<b>129,169,141.44</b>

	TOTAL (KM)			
	by April 1,2008	by Oct 1,2008	by April 1,2009	by Oct 1,2009
I COHORT	49,147,198.56	79,977,956.91	81,977,956.91	
II COHORT	24,424,263.17	25,024,263.17	30,924,263.17	
III COHORT	12,551,921.36	15,701,921.36	16,151,921.36	
IV COHORT			115,000.00	
<b>GAP</b>	<b>86,123,383.09</b>	<b>120.704,141.44</b>	<b>129,169,141.44</b>	

**Table No. 2.** Loans taken by GAP partner municipalities

### **3.2-1 Number of GAP partner municipalities engaging STTA**

Twenty-three municipalities (comparing to nineteen municipalities from previous reporting period , or seven municipalities from baseline survey) partner municipalities engaged external STTAs for specific issues and paid their services in last six months. The issues very mainly related to ISO certification and training, as well as for Application for EU Precession Funds. As level of effort in last six months, they engaged 451 consultancy days (compared to 301 from previous reporting period or fifty-seven from baseline survey) for training and other purpose. The participation in trainings provided is measured by 847 men-days (compared to 1435 from previous reporting period and 295 from baseline survey). These data displays continuous municipal desire to expand and collect knowledge for better operation, management and development of their local communities.

However, municipalities also received significant consultancy assistance and training by regional development agencies (ARDA, REDAH, SERDA, NERDA, REZ) and municipal associations on different municipal development topics. They did not directly engaged this consultancy services, however, municipalities financially contribute in work of such agencies and associations.

### **3.2-2 Number of GAP partner municipalities actively mentoring new or non-GAP municipalities**

**Nine** GAP partner municipalities (compared to six from previous reporting period) provided mentoring and technical assistance services or knowledge exchange to other sixteen BiH municipalities. Majority of the assistance was related to the Citizens Service Centers' issues and some to managing of the local economic development and budget planning.

The GAP partner municipalities that provided assistance to other municipalities in last six months in BiH are Bihać, Mrkonjić Grad, Velika Kladuša, Tuzla, Srbac, Teslić, Nevesinje, Dobož Istok and Bosanska Krupa.

### **3.3-1 Number of GAP municipalities (municipal councils, women's' NGOs, committees etc.) that received training in gender budgeting and capital improvements and report the value of received trainings**

Gender budgeting at municipal level is an activity that GAP will be pioneering this year (working with six pilot municipalities yet to be selected). No training has been offered on gender budgeting by GAP during previous six months.

However, gender budgeting concept has been introduced and described in the *Simplified Budget Guide* for municipal councilors and general public, that is currently being distributed throughout BiH via Municipal Associations.

## **Municipal Capacity Index (MCI)**

The *Municipal Capacity Index (MCI)* is a weighted index that measures the performance of participating municipalities in four areas of GAP assistance. The Municipal Capacity Index has been developed to provide a realistic, objective evaluation of the improvements of project municipalities in the areas specified by the JMC.

The MCI attempts to convert a complex set of qualitative data and presents it in a quantitative measurement: a score from 0-100 for each municipality.

The MCI utilizes the main goals of the project with regard to activities in the program municipalities to develop four categories of indices totaling 100 points. For GAP, these categories relate to the achievement of improved service delivery by local government, improved interaction between citizens and local government, financial management, revenue generation, improvement of municipal capacity in administering capital improvement projects and policy matters with an emphasis on improvement in the local governance environment. The categories suggested for consideration and discussion for GAP are as follows:

- Municipal Service Delivery;
- Municipal Administrative, Budgeting and Financial Management;
- Capacity of Municipalities to Administer Capital Improvement Projects; and
- Policy and Accountability.

Within each category, a number of indicators have been established, each valued at a maximum of five points. These indicators are tied to specific outputs specified in the Scope of Work for the second phase of GAP. Each question is graded on a five point scale. Most of the questions, unless otherwise stated, following the same scoring progression: zero points - municipality is not in compliance with the law or ideas espoused by the program; one point - municipality is compliant with laws or has reached a minimum standard; two points - some additional steps have been taken to improve compliance; three points - further steps toward compliance have been taken, or the concepts better integrated, or with a view toward longer term planning; four points - citizen feedback is incorporated into the reform or a more formal and comprehensive procedure has been adopted; five points - municipality has reached the ideal level, the impact is clearly recognized, and institutionalization is assured. Scores are progressive. A municipality must meet all the criteria assigned to points 1, 2, 3 and 4 before it can be considered for a 5 point rating.

MCI data are used to evaluate project success by region, by category and over time. Data from partner municipalities are evaluated against data collected in municipalities not participating in GAP. These municipalities will serve as a control group from which to assess general reforms that may be occurring unrelated to the project interventions. As the project proceeds and new project municipalities are added, baseline data for the new municipalities are gathered as well. GAP will be providing MCI scores every six months. GAP specialists in specific fields of expertise awarded a rating to municipalities in these specific fields, and the M&E Specialist did data analysis and processing.

Assuming that a municipality has the necessary commitment to reform, achievement of results as measured by the MCI will largely be a function of successful implementation of GAP's work plan. Thus, the MCI is an excellent measure of project performance. The MCI is also used to give each municipality a report scorecard on its progress towards reform. MCI data are also compared to citizen

survey results (though not combined) to see if objectively measured municipal capacity changes are having the expected impact on subjective citizen perceptions.

### **Municipal Capacity Index (MCI) Findings**

Important findings are also available from monitoring of the GAP municipal capacity index (MCI). The new Municipal Capacity Index has been developed for the phase two of the project, fully adjusted to the expectations and goals specified for the project. The evaluation of the municipalities in specific fields of expertise is done by GAP specialists in their field of expertise now, so objectivity of this process has been improved.

The second regular MCI measurement shows a significant increase in rating among GAP municipalities. Legacy municipalities increased their rating by 7 points on average. Third cohort municipalities raised their ratings by 8.8 points on average as well. During the same period of time, control group of municipalities decreased their MCI score by 4.7 points comparing to the baseline survey in April last year. The biggest increase in MCI score was made in Trnovo that increased their MCI rating from 28 to 44 points, by 16 points. The baseline data were also established for fourth cohort municipalities. Their average MCI score is 27.8 points.

The biggest MCI scoring was recorded in Banja Luka (**78 points**) and Novo Sarajevo (**76 points**) and the lowest in Sapna from new cohort of municipalities - 18 points.

## GAP MUNICIPAL CAPACITY INDEX (MCI)

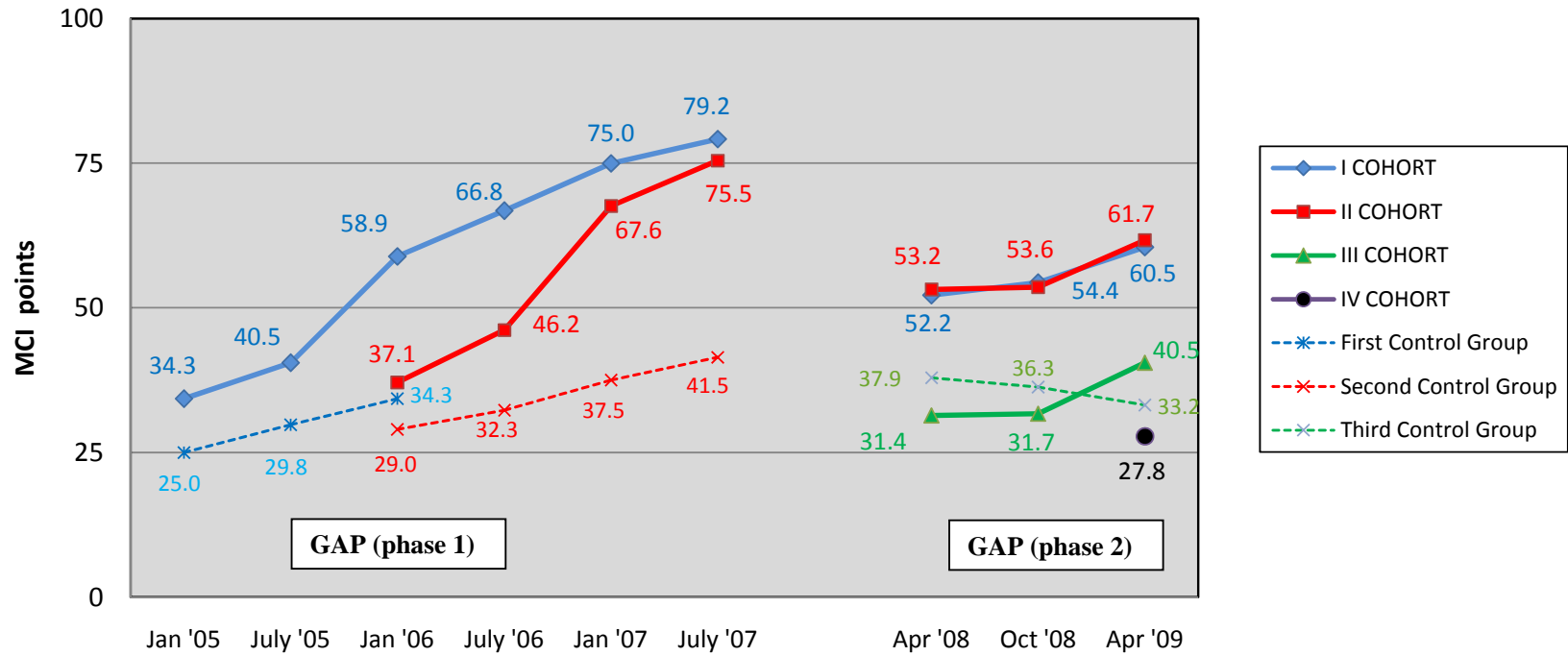


Fig. No. 20

## **Appendix A**

### **Performance Monitoring Plan (P-BMP) Spreadsheets Municipal Services**

**(44 Tables - A4)**

**Appendix B**

**Monitoring Plan (P-BMP) Spreadsheets  
IABS**

**(4 Tables - A4)**

## **Appendix C**

### **Municipal Capacity Index (MCI) Spreadsheets**

**(10 Tables - A3)**